

# Techcheck Daily

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**Emkay Global Financial Services Ltd.**

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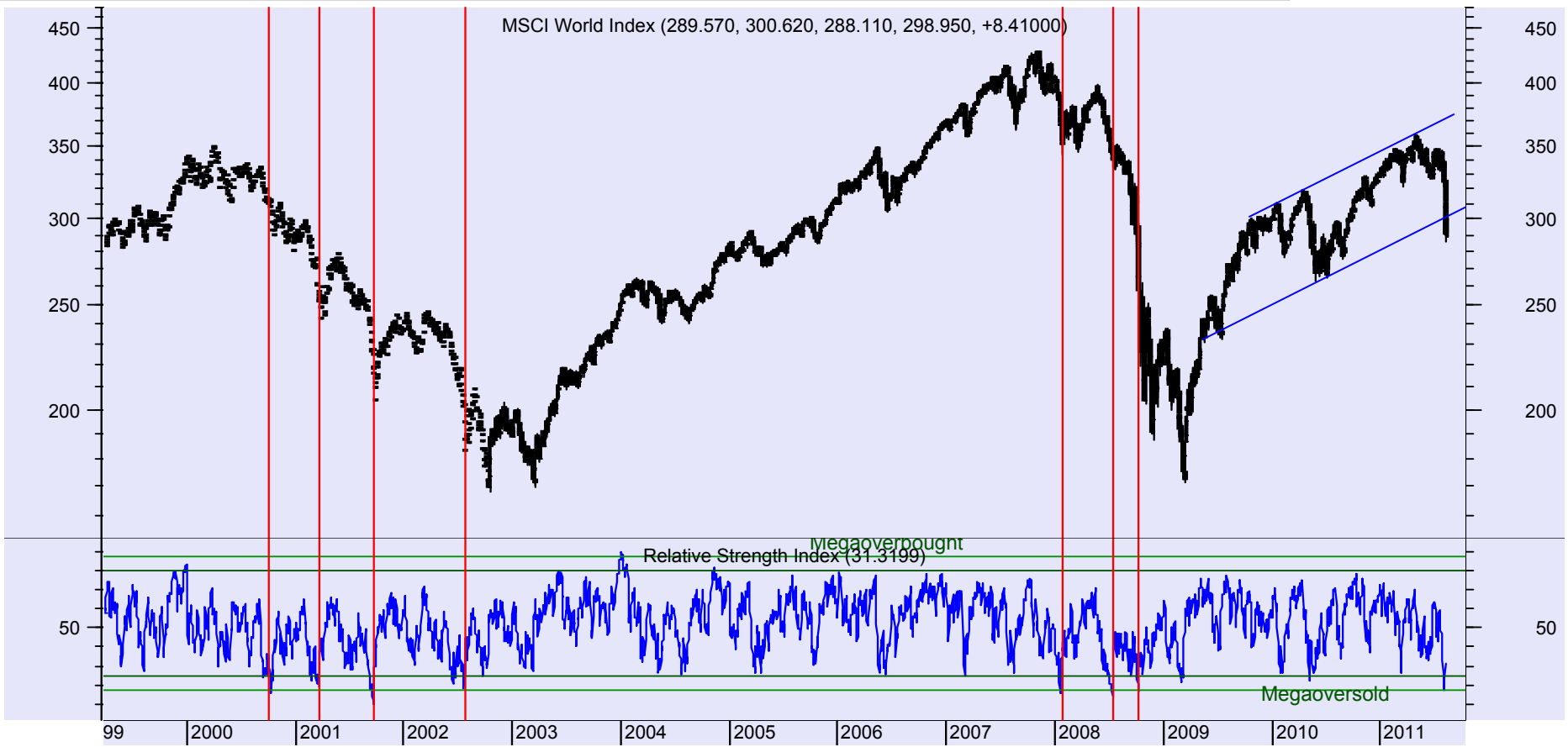
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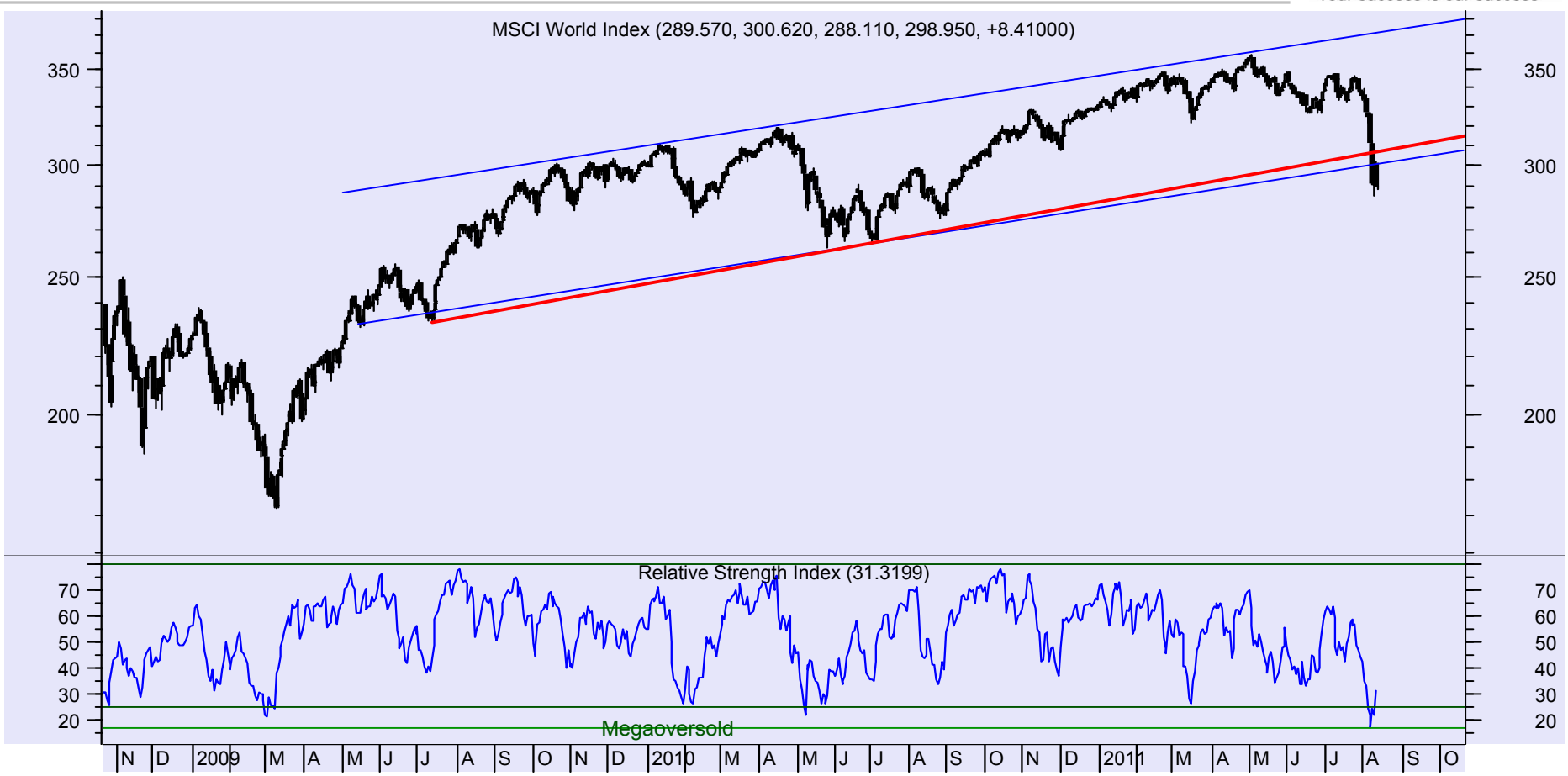
- Chart in Focus: Case for a bounce, MSCI world index finds some feet around the 290-300 mark, daily momentum indicators exit oversold region hinting at a possible pullback/bounce
- US 10yr prices have broken out (despite the downgrade); 125-127 remains a good support area and a launch pad for targets in the region of 135-136
- USDINR continues its advance without any hue or cry, should add to the negativity once reality sets in, expect initial targets around 47-47.5 mark
- Gold \$1800 done with, we revisit the current setup and upgrade targets to 1830-1870 levels, stop profits though should be trailed to 1714 levels
- Nifty short term setups too hint at a bounce, a move till 5250-5400 can be used to reinitiate shorts
- Stocks with positive short term view
  - Reliance Infra, Maruti, Reliance, SBI, Infosys, TCS, HCL Tech
- Stocks with negative short term view
  - Hero Honda, Aurobindo Pharma (stop 161), BOB, ITC

# MSCI World: mega-oversold...



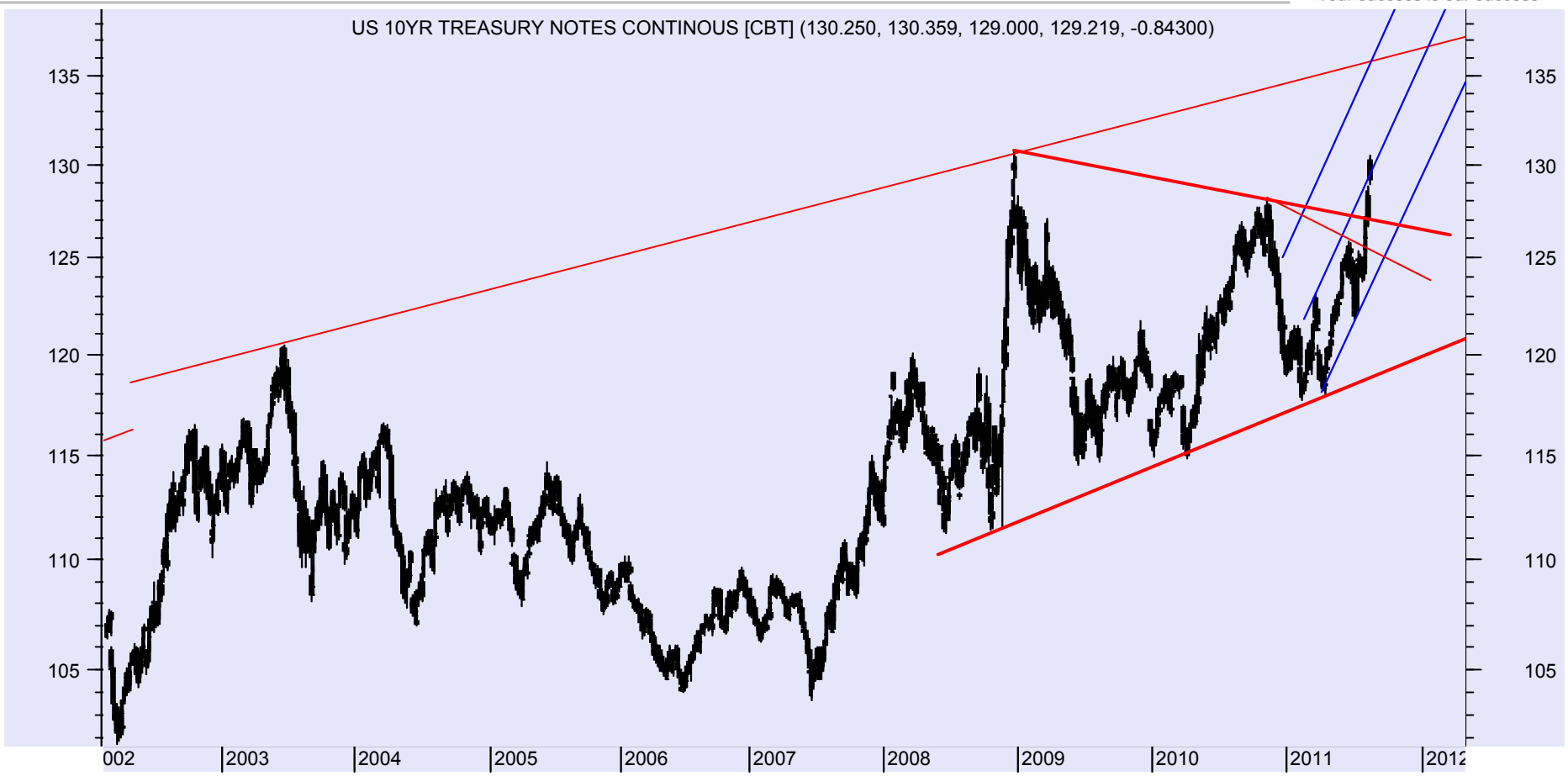
This is a daily for the MSCI world. The indicator plotted in the lower half is the 14 day RSI, the solid green horizontal band signifies the 25-75 area and can be classified as oversold and overbought, such readings are usual and remain part of the normal oscillation for the indicator, for this security. What is more important is the other dashed green band encapsulating the 15-90 area for the indicator, this remains the mega-oversold and mega-overbought readings for the indicator, these readings indicate the trend is a severe one and would continue further. This means that the current downtrend is a strong one and should head for newer lows (previous occasions marked with red vertical lines). Nevertheless such readings are usually also associated with a bounce (next chart).

# MSCI World: mega-oversold...



This chart shows the current setup in detail. Prices have broken below and consolidated just below a trend channel (marked blue). Note how the RSI readings on the lower half have fell close to all time lows around 15 (meaning prices were abnormally oversold), the indicator though is now signaling at a possibility of a short term bottom; it has now exited the oversold territory and readings stand around 31 currently . This means that there are higher chances of a bounce happening first before we head lower. Aggressive traders who want to play this bounce should do so with strict stop losses kept at 288, others can wait to initiate shorts around 310-315 levels.

# US 10yr: breakout...



The US 10yr prices have broken out of a likely running triangle (bold red) and smaller trendline resistances. The setups look encouraging and we believe that prices are headed for the 135-136 levels over the next few weeks.

INR: breakout...



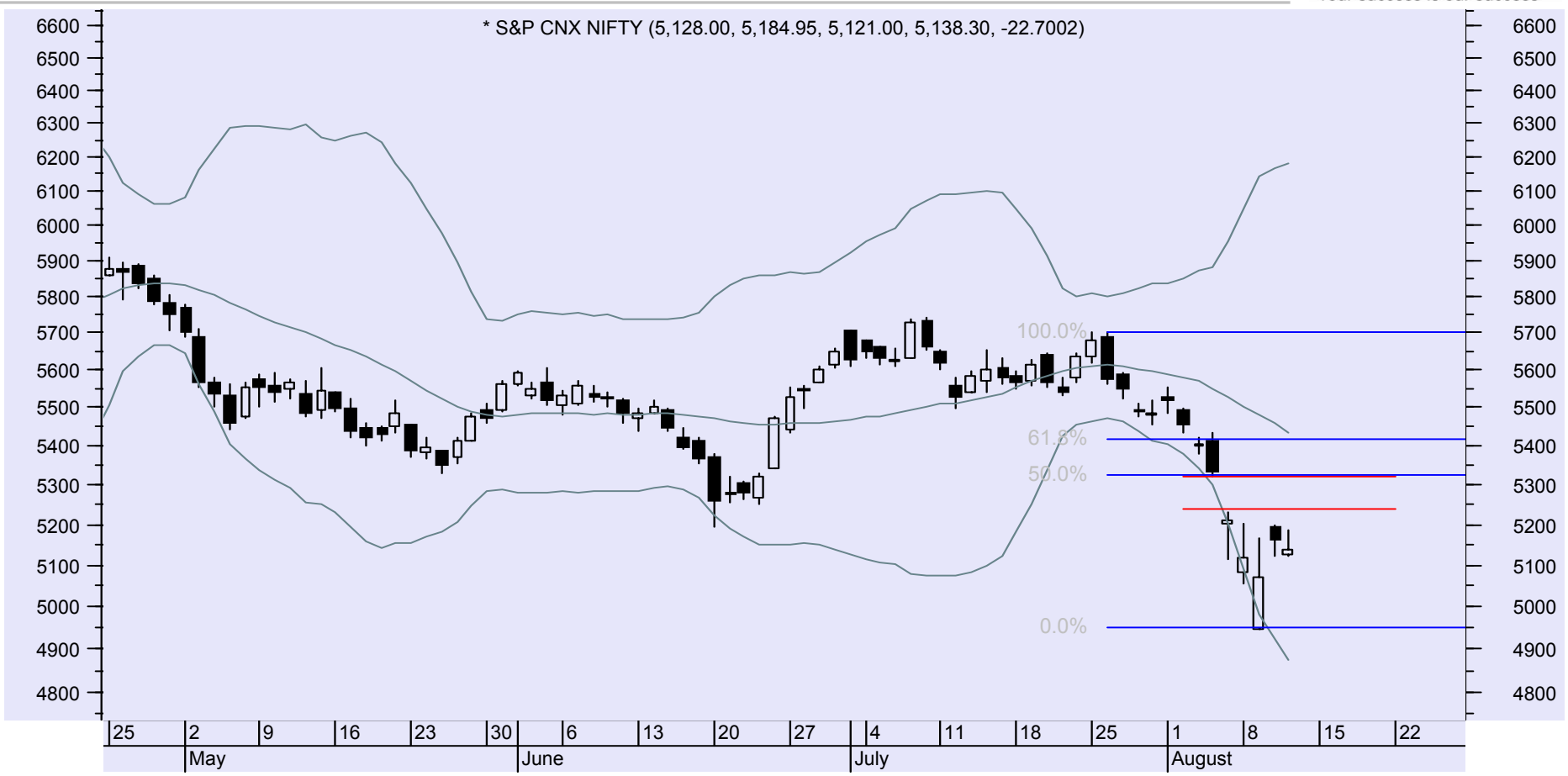
We have been glued on to this one for quite some time, believing right from 44 levels that an upside break would happen (Techcheck 01082011). The expected has now happened and the best part is that fresh positive momentum cycles have started on the daily, weekly and monthly KST simultaneously. This means 95% odds favour upsides and initial targets can be pegged around 47-47.5 levels, though more could be in store. 44.85 (closing basis) remains a crucial support.

# Gold: upgrade targets...



The yellow metal is on a boil and is gate crashing into un chartered territory and breakneck speed, though its not uncharacteristic technically (breakout of large trend channels (bold blue) are usually like this). Though we keep the maxim handy that what goes up fast comes down faster (recent example from peer group was Silver), but that does not keep us from making hay when the sun shines. We are hence upgrading targets on the upper end of the green channel to 1830-1870, stops profits are also trailed to 1914 (hourly closing basis).

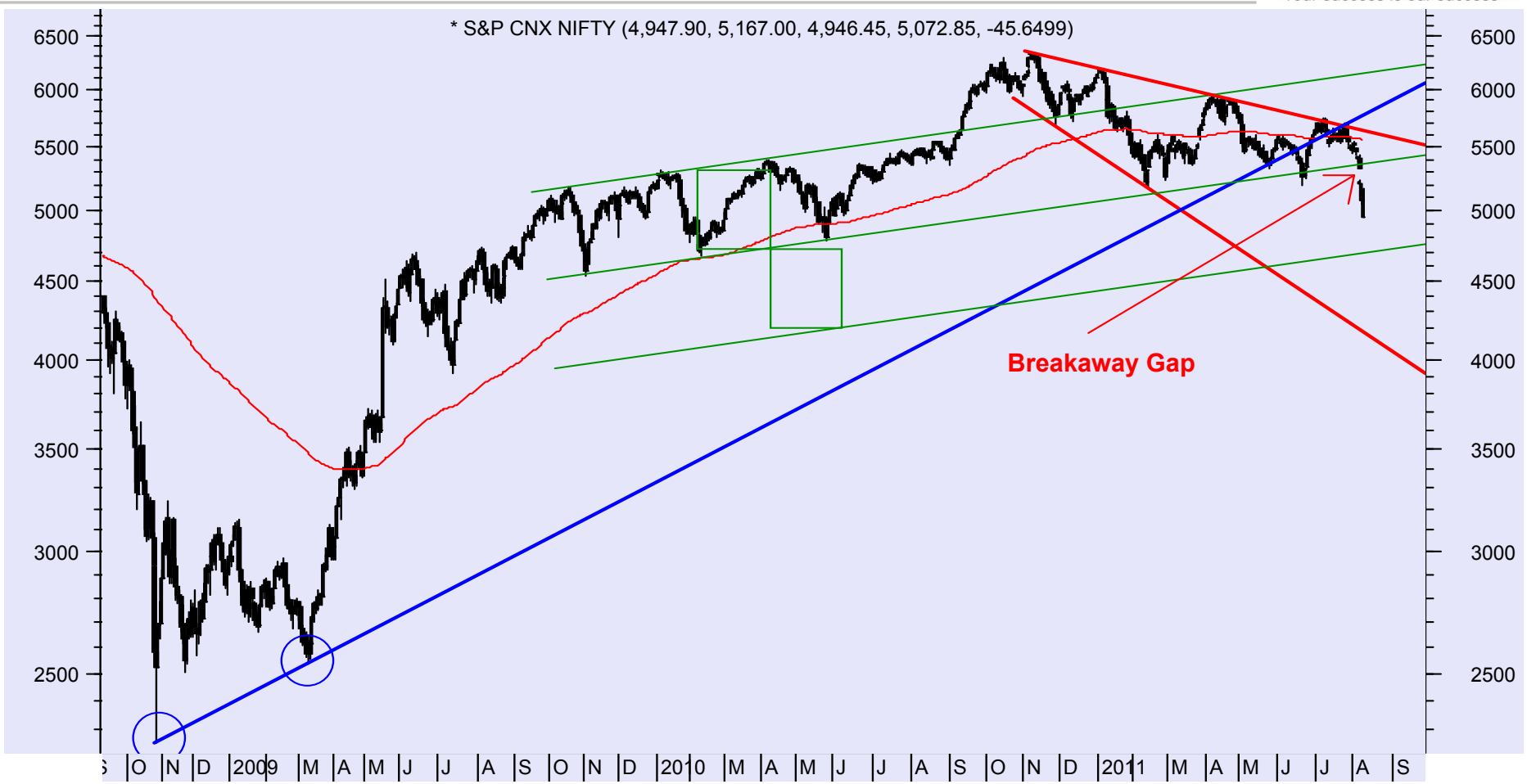
# Nifty: 3 sigma Bollinger...



This daily distribution of prices on the Bollinger bands (3 sigma) show how prices trade close to the lower bands. Some daily momentum indicators remain historically oversold and we hence believe that a likely mean reversion trade should take prices higher. We expect a bounce till 5250-5400, where risk rewards would once again favour shorts.



# Nifty: broken 2009 channel range...



This daily shows the trend range for 2009 projected forward. The break of the same has happened with a big gap down and such breakaway gaps usually hold on their own for some time before they can get filled. The 5323-5229 range now remains a tough resistance going forward, target objectives can now be pegged on the lower dashed green channel as long as the gap is not filled immediately. The lower dashed green channel currently stands around 4700.

# Nifty: another channel range...



This daily shows an alternate bullish bold blue channel (our preferred) along with the a bearish red channel. Downsides till the lower dashed blue channel stands around 4650 and red channel supports around 4750. Thus suggesting targets/supports around the 4650-4750 levels.

# Recommendations:

## Open Calls

Date	Stocks	Action	Reco. Price	Stop-loss	Target	Current price	% change	Comment
03.08.11	<b>Bank of Baroda</b>	Sell	855.5	906.6	801/751	<b>840.00</b>	1.90%	
04.08.11	<b>ITC</b>	Sell	200.5	211.6	190/181	<b>198.35</b>	1.01%	
10.08.11	<b>Hero Motocorp</b>	Sell	1882.6	1971.6	1740/1611	<b>1857.00</b>	1.38%	

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